



PAKISTAN Progress Report



E-Commerce Resource Centre - Pakistan



2006 Country Progress Report : PAKISTAN

SECTION I - GENERAL CONDITION UPDATE

1.1 Introduction

Pakistan is an important member in the world community for its strategic location, skilled manpower, natural resources, and English-speaking. Pakistan is global focus of world community due to current geopolitical circumstances and its moderate policy. Pakistan is the gateway to Gulf and CIS countries. Average GDP of Pakistan during last three years has been 7.5%, and Purchasing Power Parity (PPP) has increased to US\$2300/per capita.

1.2 ICT Developments in 2005-06

During last one year Foreign Direct Investment in Pakistan increased by 238%, Telecom sector was the largest beneficiary. ICT spending also increased in public and private sector, most of the spending was on ICT infrastructure, especially in Telecom sector. Investment from overseas in telecom sector has tremendously increased due to deregulation of telecom sector and over US\$1/Billion was received in last 9 months.

Government in Pakistan has laid the foundation of ICT future by changing the basic policy of monopoly on telecom sector and handed over telecom operation to private sector, with open and healthy competition among telecom operators. Pakistan Telecommunications Corporation, public owned telecom monopoly, has been privatized and taken over by Etisalat of United Arab Emirates. Cellular telephony sector has shown unprecedented growth; over 100%/year, and mobile phone connection have reached to 32/million from 14 million in a year. There is tough competition among cellular operators and beneficiary is the customer.

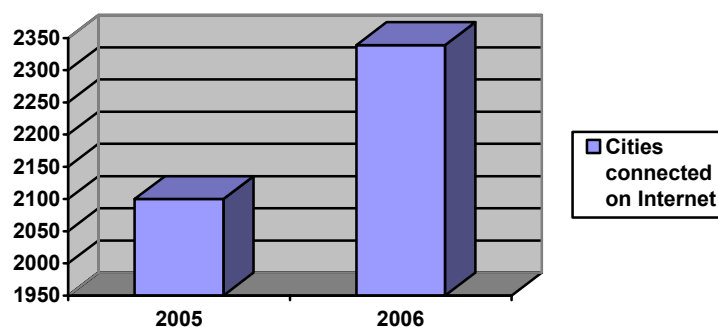
Government of Pakistan has declared ICT one of the four pillars of national economy, and playing the role of the facilitator, enabler and promoter of the ICT in the country. Ministry of Information Technology has ownership of ICT development in the country. Software Export Board is working under Ministry to promote Software Exports. Ministry is also providing resources for e-Government projects and guiding stakeholders like Security and Exchange Commission on e-Services project. Ministries of Information Technology of provinces are closely working with private sector for development of ICT in their provinces.

Trade and finance sectors have shown tremendous growth in 2005-06. International trade (imports and exports combined) is over US\$40/billion this year, and services sector has increased its share in GDP. Financial sector has also improved its profitability by over 40%. Capital market has attracted overseas investment with increase in KSE index.

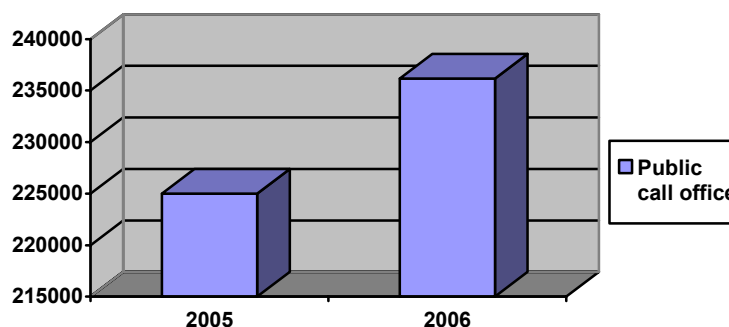


As a result of policies adopted by the Government following is progress in ICT:

- ICT total investment and spending has crossed US\$10/Billion in 2005-06
- Over US\$1/Billion foreign direct investment has been received in Telecom sector alone during last 9 months and US\$10/Billion investment is expected in next five years in this sector.
- 150 ISPs / DNOPs licenses have been issued, 70 are in operation
- Internet users are over 5.5/Million
- Mobile phone users increased to over 32/Million
- 2339 cities and towns are connected to Internet
- 5500 Internet cafés are in operation



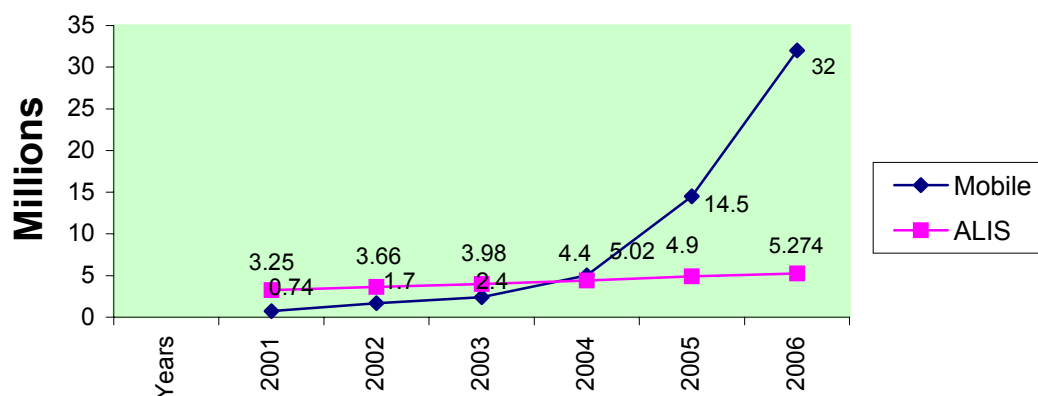
- 236,166 Public Call offices are operating in the country





- International and domestic telecom tariff has been drastically reduced
- Personal Computers population is over 4.5/Million
- Over 100,000 Graduates at Masters and Bachelor are working in ICT sector
- Software exports and services are over US\$400/million
- Over 100 call centers for overseas operations are working
- E-Government projects under implementation are US\$300/million, at federal and provincial level

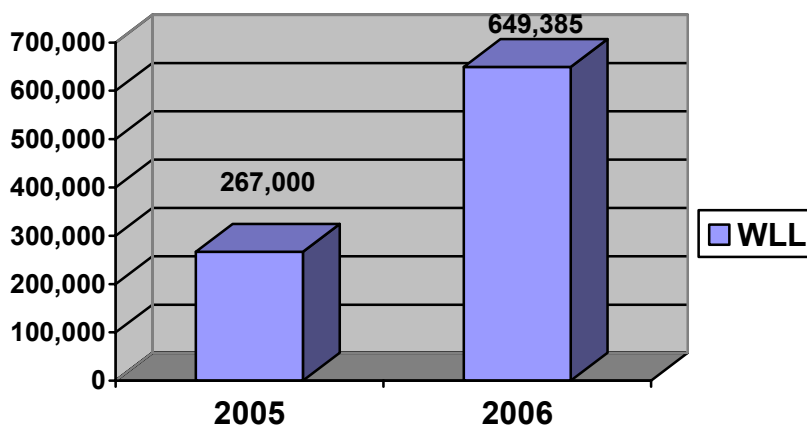
Mobile Subscribers vs. Fixed Line Subscribers



After a slow start following the transition from a regulated state-owned monopoly to a deregulated competitive structure, Pakistan's telecom sector is now moving into a period of what could well be phenomenal growth. Fixed-line penetration stood at a low 3.82% and there is plenty of room for further expansion. The government is continuing to pursue its targeted national teledensity of 7% (around 10 million lines) by 2010. To achieve this target, around 1 million additional lines need to be installed every year. Pakistan's mobile sector, which had started to grow strongly over the last few years, rocketed to 32 million subscribers (21% penetration) by June 2006 and was gearing up for further growth. The mobile population has been increasing at a staggering 120% annually. In absence of fixed line; WLL has picked up sharply and 650,000 lines are working with annual 30% growth in WLL sector.



Wireless Local Loop Subscribers



1.3 Telecom Infrastructure: June-2004 June-2005 June-2006

Telephone lines (including WLL)	4.94 m	5.4/m+	6.0/m+
Mobile phones	5.2 m	14/m+	32/m+
ISPs / DNOPS	130	150+	170+
PCOs	200 k	225/k	236/k
Cities connected through Internet	1,700	2100	2339
Internet users	4/m	5/m+	5.5/m+
e-Mail users	5/m+	6/m+	6.5/m+
Cyber Cafes	3,500	4,500	5,500
Fiber Connectivity	360 cities	400+ cities	500+
% Digitalization	100%	100%	100%
Landline Tele-density	3%	3.6%	3.9%
NWD locations	1,750	2,000	2,200
Cellular Density	3%	7%	21%



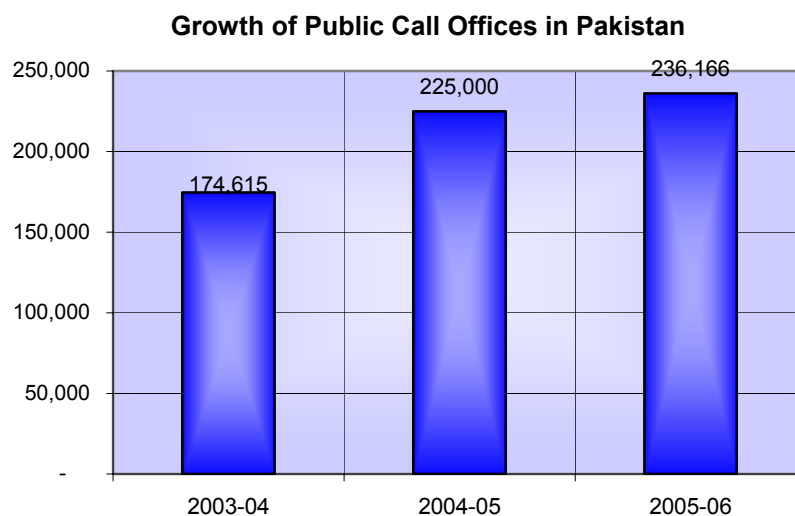
1.4 Deregulation of Telecommunications and its impact

Pakistan telecommunication sector had remained a monopoly for a very long time. Telecommunication sector has been liberalized and PTCL has been privatized now. So far Pakistan Telecommunication Authority (PTA) has issued 12 LDI and 76 LL licenses in addition to 92 WLL licenses, 2 new mobile companies are in full operation now, increasing number of cellular operators to 6.

1.5 Investment in Telecom sector

Mobile operators have announced to invest more than USD 2.4 billion just in infrastructure; Mobilink is investing around USD 831 million in next three years, Telenor and Warid, the newly licensed operators are investing around USD 495 million and USD 325 million respectively during 2005-07 in addition to the license fees. One of the cellular operators Telenor is going to invest approximately USD 1 billion in Pakistan in next 5 years. LDI and WLL operators are also planning to invest USD 411.77 million during 2005-2007.

With six mobile companies operating in Pakistan, tele-density in mobile sector has increased to 21%, although most of the users are in urban areas but rural areas has been benefited from cellular revolution in Pakistan, as compared to fixed lined tele-density of 3.82%. There are further opportunities for growth in fixed lines and mobile sector. Local and international companies are investing in these areas and International calling business as the VoIP has been legalized. VoIP sector has increased tremendously during last two years; mainly due to large number of overseas Pakistanis (5/m) living around the globe. Public call offices have provided communication facility to a common man and are on constant increase.





Pakistan Telecommunication Company Limited (PTCL)

State owned telecom operator PTCL has been privatized, 12% stake in PTCL is in the hands of employees and private investors. Authorities have completed the sale of 26% of PTCL controlling stock on the open market. The successful bidder for the stake was Emirates Telecommunications Corporation (ETISALAT) of the United Arab Emirates, which paid US\$2,570 million in partnership with Dubai Islamic Bank. Following are salient features of the largest fixed line operator in Pakistan.

Fixed Line Capacity	6.0 (M)
Telephone Subscribers	5.3 (M)
Exchanges	3020
Countries on ISD	242
Customer Services Centers	155
Long Distance VHF PCO's	3101
Total Length of Main Fiber Optic Link	4591 KM
Optical Fiber Short Haul Links	159.1 KM
Optical Fiber Spur Links	4462.7 KM
Internet Services	2339 Cities
Digitalization	100%

1.6 IT Sector in Pakistan

With most of the global IT company presence in Pakistan, and with revenues growing by 35% year on year, the IT industry is probably the most exciting and dynamic sector in the country today. An industry characterized by about 100,000 professionals, major ongoing IT projects within the government and the private sector to the tune of hundreds of millions of US dollars, and world-class software product and services companies bears testimony to the vibrancy of the IT and IT enabled services sector in Pakistan. The convergence of



communications, computing, and entertainment has resulted in the blurring of boundaries between disciplines and IT companies now come in all shapes and sizes. IT has indeed been taken out of the closet and has been mainstreamed into every aspect of industrial and economic activity within the country.

Following are some of the leading global companies operating in Pakistan with healthy growth every year. Over 100 overseas IT companies are operating in Pakistan, including offshore development centers based in Pakistan.

Company	2004	2005	2006
Oracle	30	40	70
IBM	20	20	25
NCR	25	30	35
Microsoft	20	30	30
Intel	30	30	35
Cisco	20	30	50
Revenue Growth (%)			

The size of Pakistan IT industry is estimated at US\$1.5/billion/year with average growth of 35%/year.



Statistics of the Pakistani IT/IT enabled services

Number of IT companies working in Pakistan	500 +(Registered PSEB Members)
Number of substantial IT companies	335 (Active PSEB Members)
Number of companies ISO certified	70 with another 30 due to be certified by June 2005
Number of companies CMM Assessed	4 CMM Level 5 company, One Level 4. 5 ready for assessment at CMM Level 3 by March 2006
IT and IT Enabled Services Exports during 2004-2005	US\$ 72 million, reported by State Bank of Pakistan
Percent growth in Exports	45% over Fiscal Year 2002-2003
Export target for the current fiscal year 2005-2006	US\$ 72 million (State Bank transactions)
Annual Software Industry Turnover	Around US\$ 70-80 million
Number of IT graduates produced per year	About 5,500
Number of Universities offering IT / CS programs	45
IT Professionals engaged in software export development	About 6000-8000
Call Center agents working for international clients	About 2,500
Total number of IT professionals employed in the country	About 75,000
Total IT spending in fiscal year 2003-2004	About US\$ 600 million
Total amount of space utilized in STPs	600,000 sq ft
Cost per E-1 connection (2MB)	US\$ 2000 per month

Source: Pakistan Software Export Board

Note: It is estimated that about 500 non-PSEB registered software development set-ups are also working in country, most of these are owned by large to medium organizations and working for in-house development.



1.7 Legislation for e-Laws:

Govt. of Pakistan has promulgated Electronic Transaction Ordinance for legal acceptance of electronic transactions in the country. Cyber Crimes Law, Data Protection Law, and e-Payment have been drafted and ready for legislation. E-Commerce Resource Centre – Pakistan has played key role for promulgation of e-Laws and for awareness among Legal, corporate, Govt. and Banking sector.

1.8 Digital Certificate:

Certification Authority (Verisign) has been established in private sector by NIFT, to issue the digital certificates to corporate and citizen. The digital certificates are available now in Pakistan.

SECTION II – EDIFACT/ ebXML/ XML Based STANDARDS DEVELOPMENT

2.1 Internet Merchant Account

- Internet merchant account facility for Small and Medium Enterprises exporters is available through Citibank. Goods and services are being transacted successfully through payment gateway since last 4 years.

2.2 B2B Exchange for International Trade

The basic purpose of the project is to provide a B2B Electronic Document Exchange for International trade and services. The goals to be achieved are:

1. Enable electronic exchange of commercial documents in domestic and international trade.
2. Design standard forms, redesign reporting and approval procedures for bill of Entry/Exports, I/E forms, registrations etc.
3. Develop consensus among Customs, State Bank of Pakistan, Export Promotion Bureau, Ports, Shipping Lines, Airlines, clearing and forwarding agents, traders, banks, trade and industry associations and other stakeholders on standards.



Status:

- Clearing agents and exporters / importers can submit online data / transactions for export and import transactions to Customs and port authorities.
- Pakistan Customs Computerized System (PACCS) is being run on at Karachi International Container Terminal. PACCS is an implementation of MicroClear from PWC Logistics, Kuwait.
- The Ministry of Commerce has completed Trade and Transport Facilitation Project (TTFP) Part 1, financed by a World Bank, with technical assistance from UNCTAD (www.nttfc.org). TTFP introduced the Pakistan Goods Declaration (GD) form to replace old manual shipping bill. World Bank is announcing TTFP II program shortly, with larger component of ICT and e-Logistics.
- SMEDA (Small and Medium Enterprise Authority) has launched Industrial Information Network portal (www.iin.gov.pk) for B2B trade match making. SMEDA is already playing a lead role in facilitating small and medium enterprises for their business needs.
- Export Promotion Bureau has launched B2B matchmaking portal (www.epb.gov.pk) to facilitate exporters and importers. EPB, an arm of Ministry of Commerce, leads the efforts to facilitate exporters and importers and looks after international trade.
- Private sector has started efforts to launch e-Trade exchange in collaboration with foreign ASPs in the region and solution providers.
- Ministry of Commerce has assigned study on Single Window to a leading consulting firm. It would be completed in next 3 months time.

Major developments in Electronic Customs Clearance (PACCS)

One Window

PACCS is a one-window system; it can connect to PACCS over the web and carry out all activities related to Customs from anywhere in Pakistan, by customs agents, importers and exporters.



24X7 system

PACCS is a twenty-four-by-seven system.

Paperless environment

PACCS is completely paperless, all documents and declarations (Bills of Entry, Shipping Bills, Refund applications, etc) are all electronic and available online.

Virtual System

PACCS is independent of geography. You can import, export and conduct all other activity with Customs from anywhere in the country. For instance, you can file your declaration over the web from your head office in Islamabad, pay your duties through an **Online Bank** from a field office in Lahore and get your goods cleared for a factory in Karachi.

Automation

PACCS is completely automated. Highly advanced Processing and Risk Management Systems process all declarations. All information regarding receipt of request, clearance of cargo is delivered online. In case any clarifications regarding declaration are deemed necessary; are intimated online.

Self Assessment

Under PACCS Customs does not interfere in the process of discharge of legal liabilities of duties and taxes. On submission of declaration instant online receipt is issued in the shape of Customs Reference Number (CRN) also known as Machine Number.

Processing of Declaration

The moment a CRN is allotted, the Risk Management System commences the processing of declaration. The studies indicate that up to 80% of trade is by responsible and legitimate businesses and does not pose a threat to the country or the exchequer. In all such cases the cargo will be cleared and importer will be intimated online. The process takes less than 15 seconds. In case a threat is detected, detailed scrutiny including examination of cargo may be undertaken.



Risk Management

PACCS has a highly sophisticated automated Risk Management System. Under PACCS the traffic of containers flowing through our ports is not disturbed. Customs keeps a vigilant eye on the flow and intercepts only those consignments as are perceived to pose a threat to the country or its exchequer. Such instances are verified and in case the threat is not real, cargo is expeditiously returned to its normal flow. Certain consignments may be verified on random basis.

No un-receipted Expense

All processes of PACCS have been designed to ensure that the trade does not incur any un-receipted expense in clearance of the cargo. Every step of Customs clearance is documented and it is ensured that the tax collectors do not come into contact with the taxpayers thus eliminating any chances of foul play. A transparent system gives Customs officials greater confidence in performance of their duties since they are protected against fictitious allegations of wrongdoing.

Instant Duty drawbacks / Rebates

Under PACCS the Goods Declaration (Shipping Bill) is in itself a request for rebate. Form-E's are not required to be presented to Customs instead Form-E number is entered as part of GD. For sanction of rebate claims exporter are not required to await Bank Credit Advices (BCA). In order to obtain rebates all to do is file a Goods Declaration to Customs, the due rebate will be computed and sanctioned to with the sailing of the vessel. Filing a separate rebate claim and calculation sheet on receipt of BCA are no longer required.



SECTION III –Trade Facilitation / e-Business / e-Commerce Related PROJECT UPDATES

3.1 National Trade Corridor

The Prime Minister of Pakistan has directed to establish Task Force under the Deputy Chairman Planning Commission, with secretaries of the Ministries of Communications, Commerce, Ports & Shipping, Central Board of Revenue, and Ministry of IT as member. Several steps have been taken in phases to improve transportation logistics chain, on the basis of the inadequacies and weaknesses identified that include non-availability of information in electronic form. World Bank has been force behind the Trade and Transportation Facilitation Project in Pakistan, trade and logistics facilitation project is part of this mega project.

3.2 Progress in Financial Sector

Financial sector has spent over US\$350/Million during 2005-6 in ICT infrastructure, new projects, maintenance, human resource development and services.

World Bank funded US \$ 30 million (5 years) project is at end of its implementation at the State Bank of Pakistan to interlink countrywide regional office network of central bank. RTGS project is underway with backward linkages to commercial banks and clearinghouse, and would be completed this year.

The commercial banks have shown robust performance during 2005-6, and average profitability has increased by 40%. Improved ICT infrastructure and use of IT services has played key role in improving bank's performance and productivity.

3500 commercial banks branches are online now; out of 7000 branches in the country. 90% of the urban area branches are online. 1100 bank's branches are authorized to deal in foreign exchange.

Several licensed exchange companies are handling foreign exchange business, under guidance and rules of State Bank of Pakistan. Plans are underway to link these companies for better control. Some of the companies has started offering online funds transfer for workers remittances and have good response.

Two ATM switches are operating with countrywide network of over 1200 ATMs. 4.1/Million ATM / Debit cards have been issued with 1.2/Million credit cards. Smart cards, stored value cards, loyalty cards and pre-paid cards have become part of the culture in urban cities.

Five POS switch networks are operational with 30,000 POS terminals, with two Loyalty



card networks.

Payment gateway by Citibank for Internet B2C transactions is in operation since last four years. Airlines, mobile companies, ISPs and merchants are using service with good turnover of Internet transactions.

Automated check clearing house (NIFT a Public-Private company owned 51% by banks) is operational in 14 cities of Pakistan, with turnover of 60/m/checks/year. Efforts are underway, in private sector, to establish Electronic Check Clearing House (ECH), B2B EFT and B2C Payment Gateway.

Mobile phone banking services are available with couple of banks, where customer can use the service for payment of utility bills and perform several other transactions online.

Following projects are at various stages of implementation in private and public sector:

- Utility billing with e-Payments
- E-Security Infrastructure
- Mobile Payment Gateway
- E-Money, Digital cash, Smart cards, Offline POS
- Payment Gateway for Internet / POS transactions
- Money Exchanges Reporting
- Workers Remittance project for Non Resident Pakistanis
- Foreign exchange reconciliation for Import / Exports and services
- Capital market integration with payment system

Government sector:

US\$37/million funded World Bank PIFRA project is being implemented in AGPR.

Online Billing project of US\$35/M is also underway for PTCL billing that would be linked to the banks.

Central Board of Revenue has initiated online payment of income tax, and for duty payment.

National Registration Authority is proving utility bill payment facility through Utility Kiosk.

e-Government has funded several projects and now supervising implementation process.